PROPOSED FUNDING FORMULA
Frequently Asked Questions (FAQs)

Why did the RI Department of Education (RIDE) develop an education funding formula?

Over the past three years, RIDE staff and the Board of Regents for Elementary and Secondary Education have worked closely with members of the General Assembly and several nonprofit agencies on the development of a funding formula. Last year (2009), the Regents approved a set of guiding principles for a funding formula for education aid. The proposed methodology for a funding formula demonstrates a model for how these principles could be put into practice and what effect the funding formula would have at the district level.

Though these are extremely challenging financial times for districts, RIDE and the Regents believe that now more than ever is the time to ensure that we distribute funds in a way that is consistent and transparent and takes into consideration what is needed to educate a child effectively in Rhode Island (RI). RIDE believes that it is extremely important that RI has a funding formula to ensure that aid is distributed based on what students need and not on what systems need.

RIDE has been working with Brown University to develop the proposed methodology to inform a funding formula for education aid. The Regents have been kept informed of this work throughout the process and will ultimately offer the final methodology to members of the General Assembly to guide their work as the legislators develop a funding formula.

Why do we need a funding formula?

RI is the only state in the country without an education aid funding formula. This has allowed measurable disparities and inequities to develop between school districts. It is extremely important that RI adopts a funding formula that is adequate and equitable for all.

A transparent data-based formula aims at distributing an adequate level of funding to support student learning. A funding formula enables local school and municipal leaders to plan the use of their resources to support the Basic Education Program (BEP).

Why propose a funding formula now when there are no new education funds available?

The new proposal is basically revenue neutral and does not significantly change the amount of funding available for public education. Even in challenging economic times, children and school leaders deserve a transparent, research validated, equitable mechanism for providing funds to their districts. Local school leaders, using reliable and

predictable information on state education aid, will be able to make more effective decisions to support student learning.

What are the components of this formula driven funding system?

This is a formula for an education aid distribution. The formula has three key components:

1. A core instruction amount that adequately funds student instructional needs as described in the BEP;
2. A student success factor that provides additional funding to support student needs beyond the core services with the ultimate goal of closing student achievement gaps; and
3. A state share ratio that considers a district's revenue generating capacity, taking into account property values, median family income, and the concentration of at-risk students.

How will the core instruction amount be determined?

The core instruction amount is based on best practice cost studies from states that have been deemed by education researchers, or the State Council of Governors, to be best practice financial models or states. In order to be informed, objective, and geographically sensitive, the formula uses a New England average cost to provide a balanced perspective on what RI should be spending to provide a high quality education.

This formula was built from the ground up based on actual, audited, verifiable expenditure data for Massachusetts, Rhode Island, Connecticut and New Hampshire. The information was taken from the National Center for Education Statistics (NCES). Periodically this organization puts out a very detailed survey on expenditure data for public schools throughout the country. This survey unbundles education costs at a detailed level. The survey was last completed in 2005.

This detailed information was used to build a comparison of actual expenditure information for the four states mentioned above. The average cost across these four states was then adjusted by a New England specific Consumer Price Index (CPI) to make the calculation more relevant to current costs. The calculated amount is called the "core instruction amount."

The core instruction amount accounts for costs that have the greatest impact on a child's ability to learn, including instruction, instruction support, some operating costs, and all leadership costs.

The included costs are comprehensive and based on real expenditure data. They include salaries, supplies, curriculum development, professional development, professional dues and fees, all class room supports, all student centered services, a portion of benefits, and all leadership costs including staff.

Why is the core instruction amount the same for all grade levels?

This proposal did not elect to treat grade levels differently. Because NCES data already accounts for the costs of delivering services at all grade levels, this proposal uses "averaging" that spreads costs across all grade spans and all types of students in the New England region. Once a distribution is determined through the state funding formula, decisions on how the funds are spent are maintained at the local level. Therefore, locals may choose to allocate funds differently across grade levels. However, there is no conclusive research that spending more on certain grade levels is necessary or that it improves student outcomes.

Are there services that are not included in the core instruction amount?

The core instruction amount does not include those costs determined to be entirely controlled at the local level, federally funded, funded by other state programs, or can be consolidated into statewide or regional efficiencies. These costs include but are not limited to, retiree health care, pension, transportation, utilities, and building upkeep.

How will the student success factor be determined?

Until better data is available in Rhode Island and all the districts are fully utilizing the Uniform Chart of Accounts (UCOA), the student success factor used in the formula will be derived from student poverty data (i.e., free and reduced price lunch) and based on national costing out and/or research studies. The student success factor is based on research and methods employed by over 22 states in the country. This research builds on the previous work and research done by the RIDE and other stakeholders and provides funding for students who need additional supports.

Why does this formula use one weight as a proxy for student needs?

A weight is a mathematical mechanism used to estimate the additional funds needed for a child who requires further supports to reach a proficient level of knowledge. Research has shown that poverty density is a good predictor of the concentration of student need. In addition, poverty data is defined by objective federal income guidelines so that it is difficult to manipulate the data for a favorable outcome. Throughout the country, states are struggling with complex formulas that include numerous weights but do not necessarily see improvements in student achievement. In addition, data to support the assigned amounts for the weights is arbitrary. Research on student weights indicate that there may be an incentive for districts to classify more kids in a particular manner to drive increased funding. As better cost data becomes available and when supported by empirical research, weighting factors can be adjusted/added.

Does the student success factor provide adequate funding to meet additional student needs such as ELL and Special Education?

In RI, there is a very strong correlation between English language learner concentration and poverty concentration and a moderate correlation between students with disabilities and poverty. When comparing the results of using this funding formula to the enacted fiscal year 2010 budget, regression analysis reveals that the proposed formula does a far better job at directing funds to students with these needs. Additionally, the core instruction amount is calculated from expenditure data that includes the additional support services required to help these students.

How will this formula address my special needs student who does not qualify for free and reduced price lunch?

The core instruction amount includes salaries, supplies, materials, and a portion of the benefits expense for specialists and the materials they use and need. It is a comprehensive figure that covers numerous types of employee categories including special education teachers; related service providers such as psychologists and speech pathologists; and other adults trained to support children with special needs. Children who need supports that exceed five times their districts combined core instruction and student success factor amounts will receive funding under a state categorical program.

How is the state share ratio calculated?

The state share ratio is a combination of two factors. The first factor is based on community property values adjusted for median family income as provided by the Office of Municipal Finance at the Department of Administration. This is representative of the community's ability to generate tax revenue per child attending a public school versus the state average. The second factor is the percent of children in kindergarten through sixth grade who are eligible for free and reduced price lunch. These two factors together represent two policy goals when determining where the state should distribute additional money: what is the local ability to generate revenue for education and where are the concentrated pockets of need. To combine these two factors into a single state share ratio, a special kind of average is calculated, called the quadratic mean. The practical effect of using this type of calculation is the larger number is weighted more heavily in a quadratic mean than a normal mean. In districts where the ability to generate tax revenues is high but the child poverty concentration is greater, the quadratic mean is closer to the value of the poverty concentration. To calculate a quadratic mean, square each value, add the two squares, divide by two, and take the square root.

What does the proposed funding formula achieve?

The proposed formula establishes a platform for creating horizontal equity. It attempts to get a like amount of funding to children who have similar characteristics regardless of where they sit. It gradually rebalances education funding to provide all districts a common level of purchasing power.

How is this funding formula related to the BEP?

The funding formula provides a basic level of academic and support functions to ensure that sufficient resources are available for every student to have an equitable educational opportunity. The funding formula aligns with the standards established in the BEP for local education agencies that include leadership and management of the educational system, curriculum, instruction and assessment, and supports and services for student learning.

Will be there funding outside of the formula for other categorical programs?

This proposal will include funding outside the formula distribution for certain high-cost items. Categorical funding is proposed for the following:

- Extraordinary costs related to high-cost special education students. The state will assume the costs when they exceed a state-approved threshold based on an amount above the district's combined core instruction/student success factor per pupil.
- Career and technical education fund to help meet the initial capital investment needs to transform existing or create new comprehensive career and technical education programs in critical and emerging industries and to help offset the higher than average costs associated with facilities, equipment maintenance and repair, and supplies necessary for maintaining the quality of highly specialized programs.
- Early childhood services that will increase access to voluntary, free, high quality pre-kindergarten programs proven to help close the achievement gaps for children in the highest need communities of the state. This proposal will expand the current state investment for pre-K initiatives.
- Central Falls Stabilization Fund to assure that appropriate funding is available to support the district due to concerns regarding local capacity to fully fund its share of education. This formula assumes that the city will contribute to the school district at approximately $1M a year for a total of $5.8M over six years.

What categorical programs will be collapsed into the state funding formula distribution?

The Paul W. Crowley RI Student Investment Initiative, enacted by the 1997 General Assembly, created several categorical streams of funding. This law provided a distribution methodology for state funding. However, since student data for these categorical programs has been frozen since June 30, 2004, the distribution has become outdated and is irrelevant to the current student population. This funding formula proposes to collapse the following categorical programs outlined in Chapter 16-7.1 and 16-77.1 of the RI General Laws (R.I.G.L) into the formula distribution:

- Core Instruction Equity Fund (R.I.G.L. § 16-7.1-6) – not currently funded

- Student Equity Investment Fund (R.I.G.L. § 16-7.18-8) - $73.8 million
- Student Language Assistance Investment Fund (R.I.G.L. § 16-7.1-9) - $31.7 million
- Professional Development Investment Fund (R.I.G.L. § 16-7.1-10) – not currently funded
- Early Childhood Investment Fund (R.I.G.L. § 16-7.1-11) - $6.8 million/state revenues referenced in the previous question are allocated outside of this distribution
- Full Day Kindergarten Investment Fund (R.I.G.L. § 16-7.1-11.1) - $4.2 million
- Student Technology Investment Fund (R.I.G.L. § 16-7.1-12) - $3.4 million
- Targeted School Aid (R.I.G.L. § 16-7.1-16) - $20.0 million
- Urban After-School Programs (R.I.G.L § 16-7.1-17) – not currently funded
- Vocational Technical Equity Fund (R.I.G.L. § 16-7.1-19) - $1.5 million
- Literacy and Dropout Prevention Set-Aside (R.I.G.L. § 16-67-4) - $13.0 million
- Indirect Charter Aid to sending school districts (R.I.G.L. § 16-77.1-2) - $1.2 million

Will the formula include incentives for districts to consolidate?

The primary reason districts would consolidate is to gain efficiencies and reduce costs. If cost savings cannot be achieved, then districts should not consolidate. This formula will not include regionalization bonuses. Regional bonuses in past distributions have created inequities in the current education aid distribution and have led to inefficiencies in state funding. Furthermore, research has shown that the greatest efficiencies are gained through consolidation of facilities that may not be at full capacity. Currently, the school housing aid formula allows for incentive bonuses for regional districts. This formula provides an additional 2% for every grade that is consolidated and 4% for regional districts that renovate existing facilities, including an additional 4% if the renovations are for energy conservation, access for people with disabilities, and/or asbestos abatement. There are no plans to revise the housing aid regional bonus at this time.

How will charter school students be funded?

Charter schools will be funded similarly to traditional school districts using the proposed funding formula, as well as the state share ratio for the sending district to determine the state funds sent to each school. Charters will continue to receive the applicable local contribution from the sending districts.

How will state operated schools be funded (i.e. Davies Career-Technical High School, RI School for the Deaf, Metropolitan Regional Career & Technical Center)?

Rhode Island has three state schools, Davies Career and Technical High School, Metropolitan Regional Career and Technical Center, and the RI School for the Deaf. Both Davies and the Met Center are supported 100% with state and federal resources.

Under this formula these schools will be funded in the same manner as charter schools and traditional school districts.

The RI School for the Deaf is a special education program and the funding methodology will not change since it already has a state, federal and local share.

Why does this new proposal change the amount of education aid districts will receive?

The primary goal of this proposal is to ensure that the RI educational finance system supports student achievement. The greatest achievement gaps are among our poorest communities who are serving our neediest students. This formula is designed to dramatically improve student performance by allocating state funds to support our highest need students wherever they are located in the state. For the past fifty years, distributions of education aid have included a myriad of past policy decisions that have become obsolete, lost relevancy, or are outdated, which created inequities in the current system. The fluctuations in education aid in the proposed formula have resulted from a combination of the following:

- **Student Data** – The current distribution does not account for changes in enrollment and/or free and reduced price lunch, including increases and decreases, because student data has not been updated (the current district distribution method was frozen at June 30, 2004 data levels).

- **Minimum State Share** – Past education aid distributions, including the "Operations Aid" program, which was in effect from the late 1960s through the late 1990s, used a minimum state share ratio. The Operations Aid formula was established to provide local school districts with funds to support their general operations and gave districts the opportunity to spend what they felt was necessary for education. This formula originally included a minimum state share ratio of 25%, which was increased to 30% from 1964 through 1984 and decreased back to 28% from 1984 through 1992. For the final years of Operations Aid, the minimum was incrementally phased out to zero. Because the calculated state share ratio for the applicable districts was often much less, several districts have received state education aid beyond their actual fiscal needs. When the Operations Aid program ended, the existing distribution was carried over to the current general aid program; therefore, the minimum state share ratio is frozen in the distribution. The proposed state share ratio calculation does not include a minimum.

- **Regionalization Bonus** – Past education aid distributions, including the Operations Aid program, added a regional district bonus to the state share ratio to encourage districts to consolidate. Bonuses began at 2% per consolidated grade and gradually phased out to a minimum of 8%. When the Operations Aid program ended, the existing distribution was carried over to the current general aid program; therefore, regional bonuses were frozen in

the distribution. Because Bristol-Warren's phase-out was not complete, its bonus was frozen at 10.5% while Chariho, Exeter-West Greenwich, and Foster-Glocester were frozen at the minimum 8%. The proposed state share ratio calculation does not include a regional bonus.

- **Changes in Assessed Property Values and Median Family Income** – As indicated in a previous question, the proposed state share ratio uses district property values adjusted for district median family income as compared to the state averages. Fluctuations in assessed property values and/or median family income impact the state share ratio calculation. The Operations Aid program used a similar state share ratio. When the Operations Aid program ended, the existing distribution was carried over to the current general aid program; therefore, the state share ratio was frozen at the 1997 calculated value. This formula updates the state share ratio calculation using the most current data.

- **Across the Board Changes** – increases or decreases over the last ten years for the most part have been evenly pro-rated across all districts and have not taken into consideration fluctuations in enrollment, changes in student need, and other data updates.

- **Compounding Interest Effect** – any inequity built into the current distribution has been exacerbated by across the board changes in the system.

What happens to the districts with changes in their state contribution?

Each community shall consider their local revenues and expenses to determine if their local contribution to education has been adequate when compared to other communities. Some communities may need to increase their local contribution for education, while others may need to revisit their expenditures. Communities should be looking at their per pupil expenditure cost and comparing it to other communities to determine if their school system is adequately funded. Districts are also encouraged to reduce costs through consolidation of services, contract negotiations, and participation in all statewide efficiency initiatives. Central Falls' formula distribution calculates a local share; however, this school district is currently 100% funded by the state.

How will the new formula be implemented?

The funding allocations will be phased in over ten years based on the transition model. Districts that are underfunded will be fully funded within five years while reductions for overfunded districts will be phased in over ten years. The model redistributes the FY 2010 enacted education funding levels over time to create greater revenue equity between districts. The model is a snapshot in time and can change significantly if funding and/or enrollments increase or decrease.

Will this proposal increase my property taxes?

These decisions will need to be made by local municipalities based on their current per pupil funding levels, student performance, and an examination of local investments. This proposal, along with changes to state Maintenance of Effort statute (R.I.G.L. § 16-7-23), will allow some communities to reduce local property tax if the school district is high performing and has an adequate per pupil funding level. Many communities may need to revisit district budgets depending on their per pupil expenditures. There are other communities who have not adequately contributed to their education system and will need to increase local investments; however, this could be done through shifts from other areas of spending and does not automatically mean taxes will increase.

How do we know the funding formula in RI is grounded in the best thinking?

RIDE partnered with pro-bono support from Dr. Kenneth Wong, Chair, Department of Education, at Brown University on the development of a research-based, data-driven methodology for an education aid formula. The work of Dr. Wong and his research team incorporated audited, verifiable expenditure figures, empirical research and best practices that bring credibility and objectivity to the proposed funding formula. This formula is informed by research undertaken by national and regional experts and incorporates some of the best thinking in the country.

How does this proposal differ from some of the other proposals that were introduced during the past legislative session?

Over the last three legislative sessions, several proposals for a funding formula were considered by the General Assembly. All of these proposals included similar components but considered different methodologies and approaches for achieving the desired result. The major differences were that past proposals:

- Assumed that current funding levels were inadequate and required a large influx of additional state dollars (3-6% per year);
- Included foundation amounts that were arbitrary or derived from current per pupil expenditures instead of a data driven amount;
- Included multiple student weights for categories beyond poverty, including special education, limited English proficiency, and career and technical education;
- Used different calculations for the state share ratio; however, all calculations were derived from district property values and median family income;
- Included minimum and/or maximum state share ratios; and
- Froze existing aid distributions (hold harmless) and did not redistribute the base for a more equitable distribution that accounts for changes in district demographics.

As indicated in previous questions, the proposed formula uses a research-based data-driven methodology for an education aid formula. The basic premise of this approach

assumes that RI's current education system is adequately funded and strives to drive funding to the neediest students to close student achievement gaps. This proposal informs interested stakeholders of what ought to be and proposes calculations that are child centered and help create equity, accountability, and transparency. This formula uses empirical evidence to estimate a core instruction amount per pupil that every RI student will receive, a single poverty weight as a proxy for student supports, and a new state share ratio that considers the district's ability to generate revenues and its poverty concentration. No minimum share is used in the formula. Finally, this proposal will gradually redistribute the current aid to account for large disparities that have developed between districts' ability to generate revenues and the students they serve.

How will we know if the money is being invested wisely?

R.I.G.L. §16-2-9.4 charged the Office of the Auditor General and the RI Department of Elementary and Secondary Education with promulgating a uniform system of accounting, including a Uniform Chart of Accounts. The implementation is now complete. By the close of the current fiscal year, RIDE will have its first year of statewide data that is transparent, uniform, accountable, and comparable. This data will be placed in RIDE's data warehouse, a component of our Comprehensive Education Information System (CEIS), and used for multiple analyses. Having the ability to analyze financial information alongside student, teacher, and course information provides RIDE with the tools to ensure that the money is invested wisely. Financial reporting under UCOA is required on a quarterly basis throughout the year and assures more timely information than existed in the past.